DOCUMENT RESUME

ED 425 558 EC 306 220

| | |
|---|---|
| TITLE | Managed Care and Long-Term Services for People with Mental Retardation. ARC Q&A. |
| INSTITUTION | Arc, Arlington, TX. |
| PUB DATE | 1995-09-00 |
| NOTE | 4p. |
| AVAILABLE FROM | Arc National Headquarters, 500 E. Border St., S-300, Arlington, TX 76010; Tel:: 817-261-6003; TDD: 817-277-0553. |
| PUB TYPE | Guides - Non-Classroom (055) |
| EDRS PRICE | EDRS Price MF01 Plus Postage. PC Not Available from EDRS. |
| DESCRIPTORS | Advocacy; Cost Effectiveness; *Delivery Systems; Government Role; *Health Maintenance Organizations; *Health Services; *Long Range Planning; Medical Services; *Mental Retardation; Models |

ABSTRACT

This fact sheet uses a question-and-answer format to summarize issues related to managed care and long-term services for people with mental retardation. Questions and answers address the following topics: the evolving concept of "managed care"; the application of managed care to provide cost-efficient long-term services for people with mental retardation; how a managed care model might be utilized to provide long-term services; how managed care may affect long-term services for people with mental retardation; concerns that principles of consumer and family direction may be compromised; the role of the states in the delivery of managed care services; potential problems in managed long-term care services (such as a decline in use of needed specialist services); ways in which managed care might result in a better quality service system; and the role of consumers and advocates in managed care services. (DB)

**********
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
**********

ED 425 558

# Managed Care and Long-Term Services for People with Mental Retardation

## ARC Q&A

The Arc
A national organization on mental retardation

S. A. Davis

2B

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

EC 306 220

The Arc

*a national organization on mental retardation*

Q&A

# Managed Care and Long-term Services for People with Mental Retardation

## What is "managed care?"

Until now, the concept of managed care has been used almost solely in the area of acute (not long-term) health care. Basically, it has been defined as the implementation of strategies and actions to contain or limit health care costs. Health maintenance organizations (HMOs) and preferred provider organizations (PPOs) are just two types of managed care models familiar to most people. Managed care related to long-term services for people with mental retardation generally refers to using similar strategies to contain the costs of publicly-funded residential and other community services and supports.

Managed care proponents believe it can be used to curtail health costs. Managed care models may employ various methods of cost containment including controlling prices for health care; providing economic incentives to providers of care to keep costs low; influencing, limiting or controlling the choices of consumers and how they are used, and, coordinating services. (HSRI & NASDDDS, 1995). These managed care strategies, by themselves or in combination, attempt to impact or alter factors that usually drive health care costs: utilization patterns (how much and to what degree services are used); prices charged by suppliers such as doctors and hospitals; and, the share of costs borne by the insured.

## Why might managed care be necessary for long-term services?

Managed care came about primarily due to costs. Traditionally, increased health care costs related to acute or primary care needs have been driven in large part by the needs of consumers and by health care suppliers who often require and/or provide unchecked and costly services that are usually paid for through insurance, Medicare, out of the person's pocket or through other sources. Increased insurance costs for care are eventually passed on to consumers in the form of increased premiums. Many of those with no third-party health coverage either have to go without health care or face a severe financial burden paying for care. Even the costs of publicly-funded health care are eventually passed on in the form of higher taxes to meet increasing demand and costs.

Long-term services for many people with mental retardation are paid through Medicaid, a federal/state program that reimburses states for various community living and other services. States are required to provide a certain amount of matching funds to receive federal monies. Similar to acute health care, the costs of long-term services have continued to increase even as cost saving measures have been instituted. States are beginning to look at managed care in long-term services for a number of reasons. The federal budget deficit and the states' financial problems are making it more difficult to fund existing services. Additionally, waiting lists for services have placed a heavy demand on states to provide new and expanded services to people with mental retardation. These factors together are forcing the country to examine strategies to provide long-term services in the most cost efficient manner.

## How would a managed care model be utilized to provide services?

In a managed acute health care model, a managed care organization (MCO), usually one that is privately operated, is contracted by a company, program or other entity to ensure that adequate and quality health care services are offered to consumers (employees) at a fair and often fixed rate, regardless of what services are provided. This is referred to as "capitation" which basically means that an MCO is expected to provide a full-range of services (whatever the individual may need) at a single, fixed cost. The MCO may have only certain providers that consumers can use and usually reviews what the consumer needs before and during the period of care (i.e., utilization review) to ensure that services and/or costs are controlled. There is usually some risk to the MCO for, if costs of services exceed the agreed upon fixed rate, the MCO may still have to provide the services but take a loss in covering the costs. However, if costs are kept low or within projected limits, then the MCO can operate cost effectively. As briefly described above, an MCO's goal is to successfully utilize strategies of managed care to help ensure that costs are always kept in check or contained so that high quality services are provided and financial risk is avoided.

There is much discussion about how managed care might work with long-term services and how it might resemble or differ from models of managed acute health care. If a state adopted a managed care model, it may very well utilize a similar structure to what is used for acute health. The state's mental retardation agency may utilize one or more MCOs and a capitated system of funding to provide residential and/or other community-based services. A state may adopt its own version of managed care where, for example, it would it be its own MCO or "share" management responsibilities with a private MCO for the provision of services. It may also design a system where only certain services or specific populations of people would fall under a managed care operation. Other variations may include working with several MCOs within a state to ensure that some or all long-term services for people with mental retardation are provided. Any number of managed care variations can exist.

## How will managed care affect long-term services for people with mental retardation?

Because of the extremely limited experiences to draw on, this question cannot be adequately answered. Of concern to The Arc is that, while managed care is a tool that states can use in controlling costs in their systems as in acute care, there is also potential for substantially undermining the consumer focus and basic values which underlie the various components of long-term supports for people with mental retardation. The basic concept of more cost effective professional decision-making at the heart of managed care is at odds with the principles of consumer and family direction and decision-making which have finally begun to take hold in state long-term services systems.

There is no way to accurately predict managed care's effect on the daily operations of long-term services for people with mental retardation. However, based on the dramatic changes in the general health care field in just the last few years, it could be expected that major change will occur. If it does, vigilance and involvement by consumers and advocates is critical.

EC 306 220



National Headquarters, 500 E. Border St., S-300, Arlington, Texas 76010, 817/261-6003•817/277-0553 (TDD)

### How much latitude will states have in the delivery of managed care services?

Dependent upon the design of the system and source of funds, there may be some requirements and restrictions that states must continue to follow. For instance, certain state statutory or federal Medicaid requirements for eligibility and quality of care may continue to apply, but then again, they may not if block grants replace entitlements. Generally, states will have a lot of latitude in designing their service delivery systems under managed care. They will have to determine whether there will be one or several different managed care organizations, choose managed care providers and develop contracts for the management of the system. With the multitude of decisions that will have to be made, there is great potential for significant change in the state's service system.

### What are some of the potential problems that may occur in managed long-term care services?

States may turn to using managed acute health care models when planning managed long-term care. So, it is important to understand the problems for people with disabilities in managed acute health care to better understand what similar problems may occur in managed long-term care. Testimony from the Consortium for Citizens with Disabilities (CCD) before Congress noted several problems that Medicaid managed health care has when used with people who have disabilities. CCD drew upon research that indicated managed care leads to a decline in the use of specialist services that are often necessary for the well-being of many individuals with disabilities who have complex and special health problems. In fact, these individuals often depend on specialized care even for services that are considered as primary services. Since states have little experience with managed care for people with disabilities who have these types of health problems, the decline in these services may lead to decline in the health and activity of many individuals with disabilities.

CCD notes that many state Medicaid managed care programs have been allowed to proceed without important quality-of-care standards and consumer protections that have typically been included under Medicaid law. Additionally, it was noted that states may not realize the projected savings from managed care when including people with disabilities in such a system. Due to incentives to keep costs low, managed care plans may determine that it is too expensive, under capitated rates, to serve individuals who have certain health problems, and thus make it difficult for these individuals to receive adequate care (CCD, 1995).

### Will managed care result in a better quality service system?

Based on many concerns the disability community has with managed acute health care, it is difficult at this juncture to determine if managed care might improve the developmental disabilities long-term services system. However, a study done by Human Services Research Institute and the National Association of State Directors of Developmental Disabilities Services, Inc. (1995) point out that a well designed managed care system:

- has the potential to allow communities to direct ICF/MR dollars toward better and more widespread use;
- may allow more flexibility in designing supports for individuals versus the individual having to fit into existing services;
- may allow for more flexibility in how supports and services are managed and thus avoid costly, over-management of services;
- can focus on the individual's needs and ongoing review to ensure that the individualized services are resulting in desired outcomes;
- may encourage more alliances and partnerships among service agencies;
- can, through capitation, focus on purchasing an array of supports and services tailored to each individual; and,
- can allow state MR/DD authorities to focus on the system's performance and place day-to-day administration on the MCOs.

### What should be the role of consumers and advocates in managed care services?

Given that states may utilize managed acute health care models in establishing managed care for long-term services, it is important that consumers and advocates recognize the issues and become proactive in the planning of state and community long-term services. To ensure that the best interests of consumers with mental retardation and other developmental disabilities are considered throughout the planning and design of a managed care system, it will be critical that advocates become involved in all state level discussions and decisions regarding this systems change. Each subsequent decision takes the state further down a path toward a particular model of care, so advocates should be involved before the state takes its first step toward managed care or as early in the process as possible. Additionally, all information about the process should be accessible (understandable) to people with mental retardation.

Advocates in the state should be involved at the state level when key decisions are being made regarding:

- basic structure of the long-term services program;
- who will be guaranteed eligibility for services;
- what services will be covered and how they will be defined;
- which state agency will oversee the program;
- procedures for ensuring consumer involvement and choice in service coverage decisions;
- procedures for ensuring consumer and family involvement in determining quality;
- establishment of grievance mechanisms;
- development of the provisions of the state's contract with the managed care organization; and,
- the criteria by which the managed care organization will be judged.

Managed care has primarily focused on the provision of acute health care services and, to some degree, long-term services to people who are elderly. Advocates must ensure that the managed care system is forced to focus on the ongoing, everyday needs of individuals participating in their communities and acquiring and maintaining skills. Advocates must focus on the need to provide both acute and ongoing, long-term services which assist people in acquiring and maintaining skills or increased independence. Service systems cannot be allowed to return to custodial models of care or provide inappropriate services for individuals because they may be cheaper or more convenient for the managed care provider. Advocates must be a strong force in ensuring that systems do not lose sight of the hard-won values of individualized planning and support, community inclusion and consumer involvement and choice. Finally, advocates must ensure that states maintain a key role in oversight and quality assurance.

**References:**

Human Services Research Institute, Inc. (HSRI) & National Association of State Directors of Developmental Disabilities Services, Inc. (NASDDDS) (in press). Managed Care and People with Developmental Disabilities: A Guidebook. Available Fall 1995 from NASDDDS, 113 Oronoco St., Alexandria, VA 22314, (703) 683-4202 (contact for price).

Consortium for Citizens with Disabilities Health Task Force Testimony submitted to the U.S. Senate Finance Committee on Medicaid revisions. Washington, D.C. July 13, 1995.



BEST COPY AVAILABLE